

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

June 24, 2002
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, Councilmembers Creighton, Davidson, Lee¹, Mosher, and Noble

ABSENT: None.

1. Executive Session

Deputy Mayor Degginger opened the meeting at 6:01 p.m. and announced recess to executive session for approximately one hour to discuss one item of potential litigation, one item of pending litigation, and a personnel matter.

The study session resumed at 7:12 p.m. with Mayor Marshall presiding.

2. Oral Communications

- (a) Nan Campbell discussed Bellevue's upcoming 50th anniversary on March 31, 2003. She described how, fifty years ago, she and her husband purchased 80 feet of waterfront on Lake Sammamish for \$5,600 and then built a 700-square-foot home by themselves. Mrs. Campbell said the Eastside Heritage Center established a committee in March to plan Bellevue's 50-year celebration. She supports the City's involvement in this effort as well and looks forward to Council's discussion tonight on the topic.
- (b) Bill Serr encouraged Council to review his summary of the West Lake Hills Citizen Advisory Committee's recommendations. In reference to construction on Richards Road, Mr. Serr said a resident told him no provisions were made for pedestrians during the construction. He encouraged Council to focus on safety with regard to public projects.

3. Study Session

- (a) Council New Initiatives

¹ Mr. Lee arrived at 6:11 p.m.

- ➡ Deputy Mayor Degginger moved to appoint Mark Ludtka, an architect engaged in large-scale commercial/multifamily projects, and Richard Leider, a property developer engaged in large-scale commercial/multifamily construction, to the Construction Code Advisory Committee. Mr. Mosher seconded the motion.
- ➡ The motion to appoint Mark Ludtka and Richard Leider to the Construction Code Advisory Committee carried by a vote of 7-0.

Mr. Mosher toured the sculpture exhibit currently on display in Downtown Park and nearby locations and encouraged Council and the public to visit it as well. Mayor Marshall, Deputy Mayor Degginger, and Mr. Lee attended the 24-Hour Relay Challenge over the weekend.

(b) Parks and Open Space Bond Issue – Presentation of Survey Results

City Manager Steve Sarkozy recalled that Council reached consensus on May 6 regarding a preliminary parks and open space bond package. He introduced staff to provide the results of a recent survey designed to solicit the community's response to the potential bond measure.

Parks and Community Services Director Patrick Foran introduced Merle Keeney, a new member of the Parks and Community Services Board; Roger Hoesterey, Director of the Trust for Public Land; and David Binder, survey consultant with David Binder Research. Mr. Foran recalled that on May 6 Council approved a preliminary package of \$78 million for capital investments and a maintenance and operations levy to generate \$880,000 annually. The capital package will include neighborhood parks and trails; sports fields; development at Bellevue Botanical Garden, Crossroads Park, Enatai Park, and Downtown Park; and expansion of North Bellevue Senior Center. Mr. Foran said staff will return to Council on July 15 or 22 for final action to set the ballot language.

Mr. Hoesterey explained that the Trust for Public Land is under contract with the City to help analyze the feasibility of a parks and open space bond levy. The Trust for Public Land is a national, nonprofit land conservation organization that works with communities to generate public funding for parks and open spaces.

Mr. Binder said 400 registered voters in Bellevue with a history of voting were surveyed from May 30 to June 3, 2002. He noted the results are subject to a 4.9 percent margin of error. Mr. Binder said 69 percent of the voters surveyed responded that Bellevue is a better place to live than other places. Mr. Binder said respondents were told that Council is considering a bond measure that would authorize the City to acquire property to preserve open spaces and natural areas, acquire and develop new neighborhood parks, improve and complete existing parks, improve and develop sports fields, create new walking and hiking trails, and to issue \$78 million in general obligation bonds to mature in 20 years. Of those surveyed, 68 percent said they would vote yes, 23 percent said no, and 9 percent were undecided regarding a \$78 million bond. If reduced to a \$60 million bond, 77 percent said they would vote yes, 20 percent would vote no, and 3 percent were undecided.

Continuing, Mr. Binder said when respondents were told that a \$78 million bond would cost the average household \$86 per year (based on an assessed value of \$380,000), 70 percent said they would vote yes, 27 percent said no, and 3 percent were undecided. When asked about a property tax levy for maintenance and operations costs, 69 percent said they would vote yes, 26 percent said no, and 5 percent were undecided. A slight majority (54 percent) said they would approve both a \$78 million bond measure and a maintenance and operations levy, while 10 percent would approve the bond only and 11 percent would approve the levy only. Mr. Binder suggested more education is needed to ensure the public understands that both the bond and levy are necessary to cover acquisition, development, and ongoing maintenance.

Mr. Binder said voters were asked about 19 potential uses for the bond and levy funds. Ten priorities received very strong support and nine priorities received moderate to strong support. The top priorities center on current and existing parks and include making sure new parks have the same high level of maintenance as current parks, completion of existing parks, improvements to existing parks, and renovation of existing parks. Voters support preserving the natural landscape along city trails and roadways (69 percent), the development of walking and hiking trails (65 percent), and the development of a new community park with sports fields, open space, and trails (56 percent). The preservation of natural areas, open space, and wildlife habitat is strongly supported by those surveyed. Neighborhood and community parks are strongly supported, and 60 percent of voters surveyed favor partnerships between the City and the school district to improve gyms, sports fields, and playgrounds.

Mr. Binder said voters were given persuasive statements for and against the proposition and asked to express their level of support or agreement. A majority of voters agree with the statements that the longer the City waits, the chance of losing open space forever increases and that preservation would be more expensive later. Voters placed less importance on statements mentioning additional taxes. Overall, voters considered statements against the proposition as considerably weaker than the arguments for the proposition. Voters place a higher priority on spending money on existing parks than for developing new parks. After hearing these statements, respondents were asked to vote on the bond and the levy. The level of support for each was almost identical to respondents' initial votes with 68 percent in favor of the capital bond and 71 percent in favor of the maintenance and operations levy.

Mr. Binder summarized there is no significant difference in support for a bond and a property tax levy. Voters prefer using proposition money to maintain, complete, and improve existing parks; preserve open space and natural areas; and provide neighborhood and community parks. Voters place a high importance on acting immediately to avoid missing out on opportunities. Although weaker than the statements in favor of the bond and levy, statements against the measures which voters assign the most importance include maintaining existing parks before building new ones and paying off previous open space bonds.

Responding to Mr. Noble, Mr. Binder confirmed that some voters moved from undecided to a no vote after hearing the persuasive statements for and against the proposition. Mr. Binder said some movement one way or the other is typical. The percent of movement in this instance is not considered significant in light of the five percent margin of error for the survey.

Mr. Creighton noted that those surveyed are older and longer term residents than the population in general. He expressed concern that the needs of other segments of the community are not represented. Mr. Binder agreed that choosing to survey citizens with a history of voting resulted in a survey of more mature voters. Mr. Creighton feels a bond measure could bring out voters who are interested in a particular item such as sports fields. Mr. Binder confirmed that the survey did not test whether unregistered or occasional voters will vote or how they will vote. Mr. Foran noted that a previous random sample survey of residents produced results consistent with the recent survey in terms of the major priorities.

Mayor Marshall thanked staff for the report.

(c) Budget – Revenue and Expenditure Forecasts and Outreach

Mr. Sarkozy opened staff's presentation of the early outlook financial forecasts for the General Fund, Parks Enterprise Fund, Development Services Fund, and Utility Funds. He emphasized that the forecasts are preliminary and that more comprehensive information will be provided in the fall. Noting revenue shortfalls, Mr. Sarkozy said he has directed all departments to establish new budgets within revenue projections without significant impacts to service delivery levels.

Mr. Sarkozy reviewed upcoming Council budget discussions:

July 1	Expenditure categories and Capital Investment Program (CIP) forecast.
July 8	Employee compensation and related issues.
July 15	Development Services initiative.
July 23	Council Budget Retreat.

Interim Finance Director Gary Ameling said the City's full forecasts typically provide a six-year planning horizon. He said this has been one of the more difficult forecasts to develop in his 13 years with the City due to the current economic volatility. The forecast is based on the current mix and level of revenues without assuming any tax increases.

Mike Sigsbee, Acting Assistant Finance Director, said economic recovery is expected to begin by the end of this year. A mild upswing in the economy is projected by 2006 with moderate growth through 2008. Mr. Sigsbee said sales tax and business and occupation (B&O) tax revenues have declined to what are now considered new base levels. Projections for 2003-2008 will be based on these new baselines. Projected inflation is relatively flat at 2.5 to 2.7 percent annually throughout the forecast. Employment growth and taxable retail sales growth have declined in recent months but increases are expected for the period of 2003 to 2008. Mr. Sigsbee said with the new lower baseline levels, it will be a year or two before revenues increase to more favorable levels. Development is expected to lag behind employment growth and it will be 2005 or 2006 before development activity increases again.

Mr. Sigsbee reviewed the early outlook for 2003 through 2008. Based on current projections, a deficit between revenues and expenditures of \$3-4 million is anticipated for 2003. By 2004, the gap narrows to \$.5-1 million. For 2005 to 2008, the deficit averages \$1-1.5 million annually. Mr. Sigsbee explained that year-end estimates are generally 2 percent greater than budgeted, so

2003 estimates reflect a swing of approximately 4 percent. Departments are currently taking steps to curb spending in order to end the year with a balanced budget.

Mr. Sigsbee said Utilities funds (water, wastewater, storm and surface water) have been negatively affected by increased water wholesale costs. Costs related to the City's participation in the Cascade Water Alliance remain unknown and have not been modeled for the forecast. The Parks Enterprise Fund reflects minor, primarily inflationary, changes. The General Fund subsidy to this fund is expected to be reduced to \$100,000 per year throughout the forecast period. Mr. Sigsbee said the Parks Enterprise Fund budget for 2001-2002 was approximately \$135,000.

Moving to development services, Mr. Sigsbee said significant reductions in development activity are projected for the early years of the forecast. While the number of permits continues to increase, the valuation has not increased. A peak in 2000 of \$466 million in development permit valuation declined to approximately \$170 million for the past year. Current reserves are sufficient to complete pending development permits. A moderate increase in development activity is anticipated beginning in 2005.

Mr. Sigsbee said staff will continue to refine revenue estimates. For 2003 and 2004, staff will focus on analyzing service levels, looking for efficiencies, and examining reserves. For 2005 and beyond, staff will look for cross-functional efforts such as the Development Services Initiative to produce efficiencies. The full forecast in the fall will reflect revenue and expenditure adjustments.

Mr. Lee questioned the establishment of new baseline revenue levels. Mr. Sigsbee explained that a revenue decline of up to 2 percent has been experienced for 2001 and 2002. The City does not anticipate excess revenues in 2002 and therefore expenditures will need to be reduced. Mr. Ameling said staff establishes a new base every time a forecast update is initiated. He emphasized that levels differ only 1 to 2 percent from prior forecasts.

Dr. Davidson requested more in-depth information related to the presentation. He stated his understanding that development services fees should cover actual costs and questioned the issue of declining development revenues. John Backman, Administrative Services Director for Planning and Community Development, said the loss of several large commercial development projects has negatively affected fee collections. Dr. Davidson questioned whether the larger projects subsidize the smaller projects. Mr. Backman explained that staffing levels have been adjusted to eliminate limited-term employees originally hired to handle increased development activity one to two years ago.

Deputy Mayor Degginger echoed Dr. Davidson's request for more in-depth written materials. Mayor Marshall would like the July 8 Council session to address the City's merit pay system. Mr. Mosher asked staff to address in a future budget discussion opportunities for improving the efficiency of processing smaller development projects.

(d) Regional Issues

Diane Carlson, Director of Intergovernmental Relations, said the King County Metropolitan Parks Task Force recently issued its recommendations. She introduced Terry Higashiyama, Parks Assistant Director who has been serving on the task force. Ms. Carlson said the recommendations address the transfer of county parks to cities, the development of a parks enterprise fund, and a funding strategy. She requested Council's feedback on the recommendations provided in the Regional Issues packet.

Ms. Higashiyama said one concern is how quickly the recommendations could be implemented and particularly how quickly facilities could be transferred to cities. Another issue to be resolved is whether cities could charge different resident and non-resident fees, for example for the use of pools. King County is opposed to charging differential rates.

Dr. Davidson expressed frustration with King County's financial situation and its desire to transfer parks to cities yet impose taxes to maintain the few remaining county parks. Ms. Higashiyama acknowledged that this issue was raised repeatedly during public comment sessions. Ms. Carlson noted the task force was focused on saving the park system rather than King County's overall finances.

Deputy Mayor Degginger suggested King County utilize available capital funds to address any park deficiencies before they are transferred to cities.

Mr. Mosher agreed that county parks, including Eastgate Park adjacent to Bellevue, have not been properly maintained. He is surprised King County is not in a position to maintain its parks yet it wants to impose restrictions on how cities might operate those parks and what fees they could charge.

Mr. Lee shares Dr. Davidson's frustrations. Mr. Lee is interested in doing what is right for citizens and the future. He feels more information is needed from King County in order to justify the transfer of park facilities.

Mr. Creighton expressed his commitment to providing the best possible services for Bellevue residents. Despite decreasing local revenues, he would like the City to do what it can to preserve county parks within Bellevue.

Mayor Marshall noted Council consensus that staff analyze the anticipated impacts of the task force's recommendations to the City's overall park system. She would like an analysis of the taxes paid to King County by Bellevue citizens and the services they receive in return. Mrs. Marshall said King County has capital funds to purchase land but not the funds to maintain parks. Noting Bellevue's interest in acquiring land adjacent to Eastgate Park, Mayor Marshall suggested a compromise in which Bellevue would assume Eastgate Park and King County would contribute funds to help Bellevue purchase additional property next to the park. She favors a differential fee structure for residents and non-residents. She is interested in the fate of Cougar Mountain Wildlife Park and wants to know about plans for Marymoor Park since Bellevue has funded improvements such as ballfields. Mayor Marshall suggested that staff develop an interest statement based on Council's comments.

Mayor Marshall thanked Ms. Higashiyama and task force co-chair Bob Wallace, a Bellevue resident, for their involvement with the Metropolitan Parks Task Force.

At 8:50 p.m., Mayor Marshall declared a break. The meeting resumed at 9:00 p.m. Mayor Marshall suggested moving to agenda item (e) before returning to the regional issues discussion, and Council concurred.

(e) City's 50th Anniversary Celebration

Mr. Sarkozy said the City will celebrate its 50th anniversary on March 31, 2003. He encouraged the community to get involved in related activities.

Ron Langley, Public Information Officer, introduced Karen Klett and Anne Taylor, Co-Chairs of the 50 Fest Planning Committee, and Walt Crowley, a consultant from HistoryLink.

Ms. Klett reviewed some of the key events of 1953, including the fact that the song "Rock Around the Clock" was copyrighted and Bellevue became incorporated on March 31, 1953. She introduced the committee's proposal for Bellevue 50 Fest, a plan of, by, and for the community. The 50 Fest planning committee was convened by Eastside Heritage Center in March 2002 representing more than 20 public, civic, and business groups. The committee's work is supported by City of Bellevue staff and assisted by consultants at HistoryLink, Inc.

Ms. Klett said the purpose of 50 Fest is to promote Bellevue's evolution into a great city, encourage tourism, build community bonds, create lasting legacies, and have fun. Bellevue 50 Fest will produce media stories of Bellevue (then and now), public events for all citizens, a package of materials for related neighborhood events, historical markers throughout the community, and exhibits, books, and banners. Proposed public events include a reenactment of the city's incorporation, a "Dance as You Were" sock hop, 50 Trees/50 Years on Arbor Day, a Bellevue 1953 motorama, a "Beat of Bellevue" concert, and many more neighborhood and civic celebrations. Proposed special projects include the creation of a historical video, a portable history exhibit, historical research and preparation of a timeline book, and decorative banners on city streets. Proposed outreach programs include historical articles in the local media, the solicitation of Bellevue memories, recognition of the "Bellevue 50" people who have shaped the city, lectures, school programs, posters, and pins.

Mr. Langley proposed the establishment of a 50 Fest Steering Committee to select final projects and events identified by the Planning Committee, oversee fundraising, and manage implementation. He said professional staff will need to be hired or loaned including expert event producers and consultants. He reviewed the following cost estimates:

Public events and celebrations	\$185,000
Book, video and exhibit	100,000
Decorative banners	80,000
Education and outreach	35,000
First permanent historical markers	100,000

Mr. Langley said many organizations will contribute to 50 Fest costs including corporate sponsors, retailers, developers, business and civic organizations, volunteer and community groups, the City of Bellevue, other public agencies, and event attendees and donors. The 50 Fest Planning Committee is requesting assistance from the City to launch the effort, provide seed funding and staff, and assure appropriate fiscal oversight. The committee requests \$100,000 from the City, \$50,000 to be spent in 2002 and \$50,000 for 2003. The 2002 funds will launch formal planning and fundraising, provide initial funding for an event coordinator, and generate marketing materials. The 2003 funds will support project implementation.

Mr. Langley asked Council to consider the following alternatives:

- Select specific events, functions, and projects.
- Direct staff to analyze the use of a City staff position as Event Coordinator.
- Direct staff to participate as current work plans allow.
- Council could provide alternate direction.

He requested Council direction regarding specific parameters for the City's involvement in Bellevue 50 Fest.

- ➡ Mr. Mosher moved that the City provide \$50,000 in 2002 and \$50,000 in 2003 in support of Bellevue 50 Fest activities, and Mr. Noble seconded the motion.

Mr. Mosher feels it is important for the City to support this worthwhile celebration. Mr. Noble agreed. He suggested the City provide the funds and allow the Steering Committee to select specific projects and events.

Dr. Davidson expressed cautious support for the proposal in light of the City's financial forecast. He wondered whether additional funds will be requested in the future and encouraged a stronger emphasis on private fundraising.

- ➔ As a substitute motion, Deputy Mayor Degginger moved to provide \$50,000 now to support Bellevue 50 Fest activities and to reevaluate additional funding in the future. Mr. Noble seconded the motion.

Mr. Lee expressed concern about the City's current budget situation and commented on Council's fiscal responsibility to citizens. He would like the funds to be spent on some permanent items such as planting trees. He suggested Council action to direct staff to participate in the 50th anniversary celebration to the degree that current work plans allow, but that direct project funding should be provided through a community fundraising effort.

Mr. Creighton thanked the Eastside Heritage Center for initiating this effort. He supports the request for \$100,000 and the celebration of Bellevue's past and future.

Dr. Davidson reiterated his preference for private fundraising and his reluctance to fund a celebration when the City is facing budget cuts.

Mayor Marshall expressed support for the main motion. She noted that First Mutual Bank will also be celebrating its 50th anniversary and wants to be involved in Bellevue 50 Fest. She suggested the establishment of a foundation to solicit tax-deductible contributions, Meydenbauer Center as a location for the sock hop in April, donations of building wraps/banners from Ackerly Communications, and neighborhood potlucks with the first 50 cakes for 50 parties to be provided by the 50 Fest committee/City.

- The substitute motion to provide \$50,000 for Bellevue 50 Fest activities failed by a vote of 2-5, with Deputy Mayor Degginger and Mr. Noble in favor.
- ☉ The motion to provide \$50,000 in 2002 and \$50,000 in 2003 in support of Bellevue 50 Fest activities carried by a vote of 5-2, with Dr. Davidson and Mr. Lee opposed.

(d) Regional Issues (Continued)

Transportation Director Goran Sparrman provided an update on the statewide transportation package (Referendum 51) and Regional Transportation Investment District (RTID) proposal by the County Executives of King, Pierce, and Snohomish Counties. He recalled Council's action on June 10 directing staff to prepare a resolution of support for Referendum 51 and to send a letter to the King County Council regarding guiding principles, the identification of key transportation corridors, and the need for additional information. Mr. Sparrman said the guiding principles have been revised to include safety as a priority criteria in identifying projects.

Mr. Sparrman said there are competing proposals for how to approach improvements to SR 520. None of the proposals provide adequate funds for the full project. Referendum 51 would provide \$100 million for the SR 520 project. Mr. Sparrman said a phased approach would require a minimum of \$1.6 billion from the RTID. This would provide a replacement bridge and the necessary connections to the overall system. The TransLake Executive Committee is scheduled to take action on a preferred alternative on July 9.

Responding to Mayor Marshall, Regional Project Manager Bernard Van de Kamp said the \$1.6 billion refers to the state's latest cost estimates for replacing the floating 520 bridge and associated elevated structures. The estimated cost of providing six lanes throughout the entire corridor between Seattle and Redmond is approximately \$5.5 to \$6 billion. An eight-lane highway is estimated at \$7.5 billion. Mr. Sparrman said if the bridge is expanded to six or more lanes, it is important to extend these lanes to at least I-405 to prevent congestion at the point that the highway would narrow again.

Mr. Mosher expressed support for using RTID funds to complete the TransLake EIS (environmental impact statement) process and identify a preferred alternative.

Mr. Creighton questioned the feasibility of replacing SR 520 with an eight-lane roadway. Mr. Sparrman said there is significant opposition to an eight-lane structure. The City of Seattle is concerned about anything wider than the existing bridge. Mr. Sparrman feels a six-lane alternative could eventually win consensual support from all of the stakeholders.

Mayor Marshall said she and Mr. Noble have been advocates for completing the TransLake EIS process in order to have factual information upon which to base a decision. Mr. Noble said more than one six-lane alternative is under consideration for the 520 bridge. Deputy Mayor Degginger feels the eight-lane alternative should not be prematurely eliminated from the EIS review. Mayor Marshall noted Council's continued support for completion of the EIS process.

Turning to I-405, Mr. Sparrman said Referendum 51 would provide \$1.8 billion for enhancements to this corridor. The strategy for these funds is to improve the worst congestion points first. RTID funds could potentially be used to address remaining bottlenecks. Mayor Marshall noted that I-405 continues to be Council's top priority.

Mr. Sparrman said efforts to add two-way HOV/transit capacity to I-90 are moving ahead. It is unknown how Sound Transit revenues might be accessed if the RTID is formed.

- ➡ At 9:56 p.m., Mr. Degginger moved to extend the meeting to 11:00 p.m., and Mr. Mosher seconded the motion.
- ➡ The motion to extend the meeting to 11:00 p.m. carried by a vote of 7-0.

Ms. Carlson said a public hearing regarding the proposed resolution in support of Referendum 51 will be held on July 1.

Deputy Mayor Degginger suggested the resolution emphasize the importance of Referendum 51 in maintaining high-wage jobs in this region. Council concurred. Mr. Mosher said it is important to keep freight moving, perhaps through the implementation of a "hot lane" for commercial trucking. Mrs. Marshall confirmed this concept is included in Referendum 51.

Mr. Sarkozy moved to a discussion of water issues. Utilities Director Lloyd Warren reviewed the following key updates:

- Cascade Water Alliance continues to pursue a water right at Lake Tapps for long-term needs.
- Cascade is involved in negotiations with Seattle to purchase a block of water for current and short-term needs.
- Seattle has decided to not sign the Tacoma Second Supply agreement, unless Seattle is given veto power over the introduction of new water sources into the system.

Mr. Warren noted Council's regional water supply interest statement adopted in February 2001 and requested confirmation of the City's water supply policy direction.

Mr. Mosher expressed continued support for the interest statement.

Deputy Mayor Degginger requested Council support of Cascade's efforts to pursue the Lake Tapps' water right, to continue to negotiate with Seattle for a block of water, and to explore water supply opportunities including the Tacoma Second Supply Project and the development of new transmission facilities.

- ➡ Deputy Mayor Degginger moved to amend the Regional Water Supply Interest Statement to add as item 3 under Water Supply the desire to pursue opportunities for a new supply and transmission arrangement with Tacoma. Dr. Davidson seconded the motion.
- ➡ The motion to amend the Regional Water Supply Interest Statement to add as item 3 under Water Supply the desire to pursue opportunities for a new supply and transmission arrangement with Tacoma carried by a vote of 7-0.

Mr. Noble hopes that future water supply arrangements will not result in significantly increased costs for water customers. Mr. Degginger will keep Council updated on the Cascade Water Alliance's activities. Mr. Lee would like Bellevue to become more independent of Seattle's water supply and costs. Dr. Davidson agreed and commented that Seattle just raised water rates again. He feels a regional approach is needed to provide long-term benefits to Bellevue customers.

Ms. Carlson said the King County Regional Policy Committee has been busy with the court redistricting issue and human services. Councilmember Noble is participating in these discussions. Ms. Carlson and Mr. Noble will provide a report to Council following the RPC retreat in July.

- (f) Consideration of AT&T Comcast Corporation Form 394 Application Request for Consent to Change of Control

David Kerr, Franchise Manager, said AT&T and Comcast announced a merger in December 2001 to create a new entity called AT&T Comcast. This will result in a change of control at the corporate parent level, but the local cable television franchisee will remain the same. Under the local franchise agreement and the City's codes, AT&T Comcast must formally seek Council's consent to the change of control. The standards of review include AT&T Comcast's legal, technical, and financial qualifications. The City must act on the request within 120 days and cannot unreasonably withhold approval.

Mr. Kerr said the City has conducted a thorough review of the requests submitted to Bellevue and other jurisdictions and met with AT&T to discuss any concerns and conditions. There does not appear to be a reasonable basis for denial of the request for consent to change control. The City developed a side letter agreement with AT&T to ensure: 1) a commitment regarding the current upgrade and I-Net activities, 2) that future cable-related needs are addressed, and 3) the City's rights and remedies are preserved. Acceptance of the change of control will be conditioned on AT&T Comcast's acceptance of the commitments and obligations as well. Mr. Kerr said the AT&T upgrade will be completed for Bellevue by the end of this year, possibly as early as the end of the third quarter.

Council action on the transfer resolution and side letter agreement is scheduled for July 1. Mr. Kerr said an increase in AT&T cable rates will occur in July. He noted the City has limited authority to control rates.

Dr. Davidson expressed concern about the apparent monopoly of the cable business. In response to Mr. Noble, Mr. Kerr said AT&T has approved the side letter agreement.

Mayor Marshall declared the meeting adjourned at 10:27 p.m.

Myrna L. Basich
City Clerk

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